

Chapter 7

REPARABLE SUPPORT DIVISION, AIR FORCE STOCK FUND

Section 7A-- General and Administrative

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SECTION 7A-- GENERAL AND ADMINISTRATIVE.

7.1. Purpose.

7.1.1. This chapter provides policies and procedures for operation of the Reparable Support Division (RSD), which is a division of the Supply Management Business Area (SMBA) of the Defense Business Operations Fund (DBOF). The DBOF consolidates all services' revolving fund business areas.

7.1.2. The SMBA operates under a revolving fund or working fund concept whereby inventories are held and sold to customers. Air Force assets stocked at depot and base, including Readiness Spares Package (RSP) assets, belong to the SMBA until sold to the customer. Income from sales is used to maintain inventory either through depot level repair or procurement action.

7.1.3. To bridge the gap between sales and the repair or procurement of assets, the Comptroller of the Secretary of Defense (USD(C)) approves a unit cost (total cost divided by total sales) that authorizes obligation authority based on anticipated sales.

7.1.4. For the Air Force, reparable assets fall under the umbrella of RSD. RSD embraces a multi-tiered pricing

framework to recover the cost of acquisition, repair, and related wholesale overhead expenses (see paragraph 7.1.). Prices are established annually to break even with customers and to neither lose money nor make a profit over the long run.

7.2. Authority. AFPD 23-4 establishes basic policies and outlines general responsibilities for managing the SMBA. The policies and procedures in this chapter for the operation of the RSD have been developed within the guidelines of DoDR 7000.14, Vol 11B; DoDR 7420.13; AFI 65-601, Vol 1; AFPD 23-4; AFMAN 23-110, and AFR 170-25. This chapter supersedes the Air Force Implementation Plan: Stock Funding of Depot Level Reparables (DLR), 13 Jan 93.

7.3. Scope.

7.3.1. Assets Included in RSD:

7.3.1.1. Assets with Expendability, Recoverability, Reparability Code (ERRC) Designator XD1 or XD2. These assets also are referred to as line replaceable units (LRU) and shop replaceable units (SRU). They are further identified as Budget Code (BC) 8 and Fund Code (FC) 64. (Refer to AFMAN 23-110, Volume 1, Part 4, Chapter 1, Attachment 27 for an explanation of ERRC codes)

7.3.1.2. Assets Previously Centrally Stocked, Stored and Issued that Were Funded with Central Procurement Appropriations. These assets carried BC O, Electronics and Telecommunication Spares (non-Air Force Intelligence Agency (AFIA)); BC S, Aircraft Spares; BC T, Missile Spares; BC W, Other Base Maintenance and Support Equipment Spares; and BC X, Vehicular Spares.

7.3.2. Assets Excluded from RSD. The following assets have been excluded from RSD because of the special management procedures associated with them. Central procurement accounts continue to finance these assets. All requests for program exclusion from RSD are processed through HQ Air Force Materiel Command (AFMC)/FMR to SAF/FMBM for approval. The request for exclusion is separate from requesting free issue (see paragraph 7.10.) or loans (see paragraph 7.12.7.).

7.3.2.1. Classified Program Reparables. These assets have a "BC @" (Note: This does not include assets that may be part of a program that is intended to be managed in white-world logistics.)

7.3.2.2. Assets Managed in the Air Force Combat Ammunition System. This includes all Federal Supply Groups 11, Nuclear Ordnance, and 13, Ammunition and Explosives assets.

7.3.2.3. All Federal Supply Class 1377 assets. These are cartridge and propellant-actuated devices and components.

7.3.2.4. All Material Management Code (MMC) "CM," Nuclear Ordnance. These are managed in D151 (Advanced Nuclear Ordnance Logistics System).

7.3.2.5. All BC H or U assets (Budget Program (BP) 81). Munition assets.

7.3.2.6. All BC B assets (BP 17). War consumable spares. Included in this are auxiliary fuel tanks, missile launchers, pylons, ejector racks, and adapters that are consumed during contingency operations and peacetime operations.

7.3.2.7. All BC K assets (BP 83). Cryptographic/ cryptologic assets managed by AFIA.

7.3.2.8. Spares for government-furnished recompetition support packages associated with contractor logistics support.

7.3.2.9. Aircraft whole spare engines (BP 16 only).

7.3.2.10. Missile/drone whole spare turbojet engines (BP 26 only).

7.3.2.11. Missile whole spare rocket engines (BP 25).

7.3.2.12. Air Interceptor Missile (AIM) and Air-to-Ground Missile (AGM) All-Up-Round components (D191) LRUs, to include sub-indenture assets (SRUs), with the following MMC.

Table 7.1. Exempted MMC.

MDS	Weapon	MMC
AIM-4	Super Falcon	AA
AIM-7D	Sparrow III	BL
AIM-9B	Sidewinder	AB
AGM-45A	Shrike	SK
AGM-65A	Maverick	JB
AGM-78A	Standard ARM	CH
AIM-84	Harpoon	HR
AGM-120	AMRAAM	AL
AGM-130	Powered GBU-15	JG
AGM-142A	HAVE NAP	HN

7.3.2.13. Missile Telemetry packages that are not recovered for repair (BP 25 only).

7.3.2.14. Quick Engine Change (QEC) kits.

7.3.2.15. Pods that are cataloged for control purposes only. These assets were procured with program funds, not as replenishment spares, and will not be stocked, stored or issued.

7.3.2.16. Minuteman and Peacekeeper Missile Guidance Sets.

7.4. Organization. Within approved staffing documents, each level of operation establishes the necessary organizational structure to adequately perform the responsibilities in paragraph 7.5.

7.5. Responsibilities. Responsibilities for operation of the RSD are identified in AFPD 23-4 along with those regulations and directives identified in this and other paragraphs throughout this chapter.

7.5.1. HQ USAF/LGSY: Responsible for determining and implementing DBOF Air Force SMBA functional requirement and policy.

7.5.2. SAF/FMBM:

7.5.2.1. Responsible for determining and implementing the financial policies of the DBOF Air Force SMBA.

7.5.2.2. DBOF manager for the Air Force, and as such is tasked with the consolidation of RSD financial data, requirements, and budgets with other SMBA divisions to form the DBOF budget for the Air Force.

7.5.2.3. Direct liaison between the Air Force and the USD (C) staff.

7.5.2.4. Delegates financial authority to HQ AFMC/FM to issue unit cost goals to subordinate activities for the RSD. Through this obligation authority, which includes specific limitations on obligations for each category of funds, program execution is controlled and the framework for financial decisions is formed.

7.5.3. HQ AFMC/FM is responsible for the financial management of the RSD to include recommending to SAF/FMBM and HQ USAF/LGSY cash requirements and price escalation based upon analyses of buy/repair requirements and fund allocation strategies.

7.5.3.1. HQ AFMC/FMR is the designated office within HQ AFMC/FM to manage the RSD.

7.5.3.1.1. Prepares cash and price escalation exhibits, consolidates RSD budget exhibits, reviews budget content for compliance with USD (C), SAF/FMBM, and HQ USAF/LG direction and submits this consolidated input to SAF/FMBM.

7.5.3.1.2. Responsible for funds control of AFMC SMBA RSD obligation authority based upon financial authority allocated by SAF/FMBM.

7.5.3.1.3. Sub-allocates funds based upon cash availability and strategies recommended by SAF/FMBM, HQ USAF/LGSY, and functional offices in HQ AFMC.

7.5.3.1.4. Acts as the program manager for the RSD.

7.5.4. HQ AFMC/LGI: Responsible for validating the DBOF SMBA functional requirement.

7.5.5. DFAS-DE/ANM:

7.5.5.1. Responsible for implementation of financial policies and the data systems required to report and record wholesale and unique retail supply financial transactions.

7.5.5.2. Provide information to major command (MAJCOM) stock fund and financial managers, and to the Defense Accounting and Finance Center-Denver (DFAS-DE) for consolidation and further reporting.

7.5.5.3. Responsible for standard retail financial operations at AFMC and other commands.

7.5.6. Operating commands and activities:

7.5.6.1. Adequately forecast requirements in the outyears and include them in their funded budgets to make sure they are meeting requirements as the outyears unfold. Using organizational commanders must make sure that their resource advisor keeps abreast of their organization's RSD asset usage.

7.5.6.1.1. The mechanism to obtain funds for flying hour programs is the Air Force Cost Analysis Improvement Group (AFCAIG) DLR cost factors. Annually MAJCOMs request approval of their DLR cost factors that, when approved, are applied to the MAJCOMs approved flying hour program to properly price the DLR funding requirement.

7.5.6.1.2. The mechanism for the MAJCOMs to obtain funds for non-flying hour DLRs is during each program objective memorandum (POM) cycle.

7.5.6.2. Improper funds forecasting and management could impair the using level from meeting its mission. The using organizational commander, accountable officer, and the comptroller should develop a forum, as needed, to discuss RSD issues and resolve problems at the lowest level.

7.5.6.3. MAJCOM stock fund manager and/or local financial community, as applicable, should be kept apprised of RSD issues identified by the using organizational commander and the accountable officer.

7.5.6.4. Each capitalized account that stocks, stores and issues RSD assets is considered an outlet. The

accountable officer of the stock record account monitors and controls the RSD inventory of these capitalized activities.

SECTION B-- INVENTORY AND CAPITAL CONTROL.

7.6. General.

7.6.1. The Air Force finances reparable inventories using a revolving fund concept. When a customer orders and receives an SMBA asset, customer funds reimburse the SMBA which finances replenishment through either repair or procurement. With each purchase, the amount the customer pays returns cash to the fund and the process revolves. Although the SMBA operates along business lines, it is designed not to profit, but break even.

7.6.2. The SMBA operates on the premise of self-replenishment without periodic appropriations. An exception is new weapon or operating systems/new mission readiness spares packages that require cash infusion, through initial appropriations. Otherwise the SMBA self-replenishes through sales of inventories. However, if the cash flow is impeded--for example, loans and free issue--additional appropriations may become necessary.

7.6.3. The SMBA consists of cash and inventory balanced against what is funded in the customer funds. Two basic elements of the SMBA are inventory management and capital control. Each Air Logistics Center (ALC) has responsibility in carrying out these elements for their specific center. Likewise, the accountable officer and their customers at base level have a role in ensuring these elements are carried out in their daily practices.

7.6.3.1. Inventory management means getting the right part, to the right place, at the right time, and under precepts of the SMBA, at the minimum cost. It also represents inventory control as the asset is stocked, stored, and issued to ensure visibility of all assets in the logistics pipeline.

7.6.3.2. Capital control involves no more than balancing the books. Since inventory actions go hand in hand with accounting actions, effective inventory management coupled with accurate accounting practices ensure adequate cash flow and effective capital control. There is a corollary between degradation of inventory management and accounting practices and loss of capital control.

7.7. Price And Surcharge.

7.7.1. **Background.** RSD uses a multi-tiered pricing structure for all reparable assets. There are four different prices that are used depending on the type of transaction involved, the serviceability of the materiel, and the needs of the division. Figure 7.1. illustrates the price and surcharge schema.

7.7.2. Price Definitions:

7.7.2.1. Acquisition Cost. The acquisition cost is the last representative procurement price paid for an asset. It is identified by J041 (Acquisition and Due In System), which passes it to the cataloging systems, which in turn updates Recoverable Consumption Item Requirements System (D041). This is also known as the latest acquisition cost (LAC) or latest acquisition price (LAP).

7.7.2.2. Carcass Price. The Carcass Price is the Forecast Acquisition Cost (FAC) (see paragraph 7.7.2.4) minus the projected depot repair cost. Carcass price is reflected in D035 and D043 as Net Price.

7.7.2.2.1. The ALCs establish a weighted average repair cost for each reparable asset. This is the cost of accomplishing depot repair of the asset, either organic or contract, that must be recouped by the Depot Maintenance Business Area (DMBA) to cover labor, materiel, and overhead. The carcass price is computed by subtracting this expected repair cost from the FAC. The repair cost is also known as the unit repair cost or latest repair price (LRP).

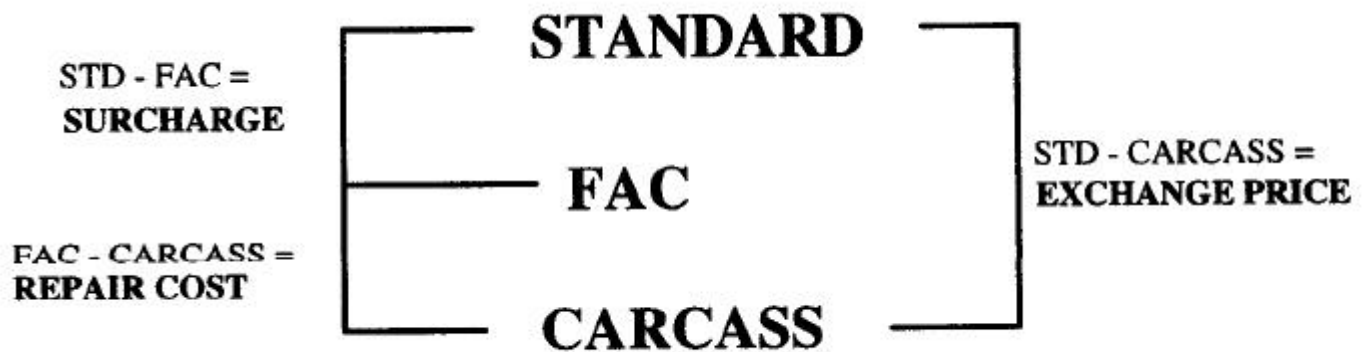


Figure 7.1. Price and Surcharge Schema.

7.7.2.2.2. The carcass price is provided to the AFMC cataloging systems (D043 (Master Item Identification Control System); D071 (Stock Number Users Directory (SNUD)); and D143C (Air Force/DLIS Edit and Routing System) to pass to Defense Logistics Service Center (DLSC) for the master stock number list (MSL) and to D071 for distribution to the stock number users with an effective date of 1 Oct. The carcass price is carried in the cataloging systems and SNUD as a Reference Phrase Code (Phrase Code R) as NET9999999999bb. The carcass price in the stock list is in dollars and cents.

7.7.2.3. Exchange Price. This price is the standard price (see paragraph 7.7.2.5.) minus the carcass price or the projected depot repair cost of the asset plus the surcharges. This price only applies to base and depot retail level "exchange" price customers when they are charged or credited for serviceable assets. The wholesale item manager does not carry or use the exchange price.

7.7.2.4. Forecast Acquisition Cost (FAC).

7.7.2.4.1. The FAC is the last purchase price adjusted to current fiscal year dollars. It is computed by applying the accumulated USD(C) inflation indices to the last acquisition cost based on the date of last procurement.

7.7.2.4.2. The FAC is provided to the AFMC cataloging systems to pass to DLSC for the MSL and to SNUD for distribution to the stock number users. The FAC is carried in the cataloging systems and SNUD as a Reference Phrase Code (Phrase Code R) as FAC9999999999bb. This price is in dollars and cents.

7.7.2.5. Standard Price. The standard price is the FAC plus all surcharges. (D035 = Unit Cost and D043 = Unit Price.)

7.7.2.5.1. The value of the surcharge is determined by multiplying the FAC by the apportionment year total surcharge. The result is added to the FAC to derive the standard price.

7.7.2.5.2. The standard price is provided to the AFMC cataloging systems to pass to the DLSC for the MSL and to SNUD for distribution to the stock number users with an effective date of 1 Oct. The standard price in the stock list is in dollars and cents.

7.7.3. Surcharge Definitions:

7.7.3.1. Background:

7.7.3.1.1. Surcharges are included in the standard price to recover operating expenses incurred by RSD.

Surcharges applied to the FAC consist of elements for Transportation, Inventory Losses/Obsolescence, Inventory Control Point Operations, Accumulated Operating Result (AOR) recovery, Condemnations, Depreciation, and Inventory Maintenance.

7.7.3.1.2. All surcharges are developed and applied as a percentage of the FAC. The transportation, inventory losses, and AOR recovery surcharges use data from the general ledger accounts that are maintained by DFAS-DE. These surcharges are developed using aggregate financial information and are applied equally to all reparable. The inventory maintenance and condemnation surcharges are developed using asset level data. All asset needs are aggregated and these surcharges are also applied equally to all reparable.

7.7.3.2. Definitions:

7.7.3.2.1. Accumulated Operating Result (AOR) Recovery Surcharge. This surcharge is a balancing element for DBOF to make up for actual/projected losses or to give back actual/ projected gains in a subsequent year. It does not include inflation/deflation since these are already taken into account in establishing the FAC. This surcharge can be negative or positive.

7.7.3.2.2. Condemnation Surcharge. This surcharge provides RSD cash to pay for replenishment spare procurement to replace assets that are condemned during base or depot repair.

7.7.3.2.3. Depreciation Surcharge. This surcharge finances the replacement cost of capital investment assets in the SMBA at the ALCs. Capital investment assets are supplies or equipment with a value greater than \$50,000 and a useful life greater than two years. The capital investment assets include: equipment, ADPE and telecommunications resources, software development, minor construction projects, and projects authorized and financed in major construction.

7.7.3.2.4. Inventory Control Point (ICP) Operations Surcharge. The surcharge recovers the personnel and associated costs that are required by AFMC to manage reparable at the ICPs. Personnel and associated costs include TDY, supplies and equipment, technical orders, and reimbursement costs to Defense Logistics Agency (DLA) and customer funds. These AFMC ICP activity costs are managed as part of the Cost of Operations Division (COD), Air Force DBOF.

7.7.3.2.5. Inventory Losses/Obsolescence Surcharge. This surcharge is used to procure replacements for inventory losses due to obsolescence, theft, damage, physical inventory adjustments, etc.

7.7.3.2.6. Inventory Maintenance Surcharge. This surcharge provides RSD funds to pay for replenishment spare procurement to satisfy increased base and depot stock levels. These procurements can be the result of such things as increased failures, increased pipelines or stockage policy changes. It also provides funds for product improvement efforts (see paragraph 7.12.9.).

7.7.3.2.7. Transportation Surcharge. This surcharge pays for first and second destination transportation costs of reparable. It includes transportation from the contractor to first point of use or storage and base supply to wholesale supply. Each charge is computed separately. It does not cover non-directed lateral support at the base level that is paid by the shipping activity funds. The wholesale to base supply transportation cost is paid by DLA as part of the reimbursable cost to DLA and is not part of this surcharge.

7.7.4. RSD Process Flow:

7.7.4.1. Customers.

7.7.4.1.1. "Standard" price customer:

7.7.4.1.1.1. Deals with the RSD solely on the basis of standard price transactions.

7.7.4.1.1.2. Generally those customers that deal directly with the AFMC wholesale supply system bypassing the Standard Base Supply System (SBSS), such as Foreign Military Sales and other DoD and government agencies.

7.7.4.1.2. "Exchange" price customer:

7.7.4.1.2.1. Deals with the RSD on the basis of exchange price transactions but under certain unique circumstances may engage in standard price transactions.

7.7.4.1.2.2. To be an exchange price customer, the customer and the RSD must have: (1) an exchange agreement, and (2) a mechanism to track the exchange transactions.

7.7.4.1.2.3. Generally, all SBSS users are authorized "exchange" price customers as are the organic depot maintenance activities because they have Due In From Maintenance (DIFM) tracking systems in place.

7.7.4.2. Process Flow.

7.7.4.2.1. The standard price is what all customers see in the stock list. It is the price "standard" price customers pay for all issues and "exchange" price customers pay for an initial issue of an RSD asset or if they do not close a DIFM detail within sixty days.

Standard Price = Forecast Acquisition Cost (FAC) + Surcharge

where,

FAC = Last Acquisition Cost adjusted to current year dollars

7.7.4.2.2. "Standard" price customers will be charged the standard price for all serviceable materiel issued and the carcass value for all unserviceable materiel issued. This policy is based on the presumption that in the absence of an exchange agreement and exchange tracking system that each transaction with a "standard" price customer is a one-time transaction and that the fund will have to replenish the asset sold. If a "standard" price customer returns a serviceable asset, the credit granted will be determined based on the asset needs of the SMBA. Credit return policy is fully explained in paragraph 7.9.

7.7.4.2.3. The exchange price includes the cost to repair the asset and the overhead cost (or surcharge) to maintain the reparable logistics pipeline. When an "exchange" price customer requests a reparable, the DIFM cycle is initiated, and the customer is charged the exchange price.

Exchange Price = (Standard Price - Carcass Price) = (Surcharge + Repair Cost)

In D043,

Exchange Price = Unit Price - Net

where,

Unit Price = Standard Price

Net = Carcass Price

7.7.4.2.4. If the "exchange" price customer can repair the broken asset within sixty days, they are credited (paid) the exchange price for the repair. However, if they return an unserviceable asset within sixty days, the customer gets zero credit.

In D043,

Repair Cost = FAC - Net Surcharge = Unit Price - FAC.

7.7.4.2.5. If the "exchange" price customer does not return the asset either serviceable or unserviceable within sixty days, then carcass price is added to the exchange price. This brings the cost to the customer up to the standard price. The logic is that if the customer does not return either a serviceable or unserviceable asset, then RSD will charge the full cost (or standard price) to replace the asset. The "exchange" price customer can still turn in an asset after sixty days and recover their cost. For example, if the asset is returned serviceable, full cost--standard price--is returned. If returned unserviceable, RSD refunds the carcass price, but keeps the exchange price to repair the asset.

Standard Price = Exchange Price + Carcass Price.

7.7.4.2.6. Repair of RSD assets at other than the depot will be according to applicable Air Force technical orders. If the customer can not repair the asset according to applicable Air Force technical orders, then they must ship the asset to the depot for repair, or through coordination with the wholesale item manager, condemn the asset locally.

7.7.4.2.7. While the RSD incentivizes local repair, this does not authorize the unit to repair over and above applicable Air Force technical order limitations. Specifically, the customer should not obtain additional resources or issue contracts to give them the capacity to repair or attempt to develop a unique skill base that would mirror existing resources at the depot without the prior approval of the wholesale inventory manager. The net effect of those two scenarios would be to increase the overhead cost of the reparable logistics pipeline, distort available repair capacity, and possibly corrupt repair standardization and asset configuration management. The current procedures for a customer to request increased repair authority is contained in T.O. 00-25-135.

7.7.5. Price Stabilization:

7.7.5.1. Price stabilization is the policy where the standard price of each catalogued asset remains constant throughout each fiscal year. RSD standard prices established in the budget are fixed during execution to protect the customer funds from unforeseen fluctuations that would affect their ability to purchase the programs approved by Congress. The prices established for RSD assets are the responsibility of the SMBA and, as such, they are set on an annual basis to recover the cost of doing business.

7.7.5.1.1. The carcass price, standard price, FAC, and adjusted repair cost are computed once a year during the March D041 computation cycle. All prices are updated annually through the D071 to the bases with a 1 Oct effective date. The standard price, carcass price, and FAC are part of the stock list records that are provided to the customer.

7.7.5.1.2. New assets that enter the supply system during the year have all prices computed and distributed through the next available monthly stock list change cycle. These changes for assets entering the inventory after the 1 Oct effective date along with significant price error changes (Zero Overpricing Program (ZOP) changes) are authorized deviations from the stabilized pricing concept of the SMBA (see paragraph 7.7.5.). All prices are passed to the SBSS through SNUD.

7.7.5.2. To recover the cost of doing business, prices are established to achieve an accumulated operating result (AOR) of zero. During the execution year, RSD will record either a positive or negative net operating result (NOR). Accordingly, surcharges in a subsequent year will be adjusted to either make up actual/projected losses or to give back actual/projected gains.

7.7.5.3. For assets that the Air Force is the Secondary Inventory Control Activity (SICA), the Standard Price is set by the Primary Inventory Control Activity (PICA).

7.7.5.3.1. For SICA assets, the Standard Price will be the PICA's Standard Price. The FAC will be equal to the

Standard Price and the Carcass (Net) Price will be 65 percent of the Standard Price.

7.7.5.3.2. The Air Force must use the prices established by the PICA. Since the PICA controls the price of the asset, the Air Force wholesale item manager can only recommend price changes to the PICA. No Air Force surcharge is added to SICA assets.

7.7.6. Price Corrections:

7.7.6.1. After the annual update of prices, errors discovered in the computation of the published standard price that meet the criteria for significant price errors may be changed immediately. These changes are defined under the scope of the ZOP. The criterion for a significant price error is any unit price change between the correct and incorrect price that equals or exceeds \$99.99.

7.7.6.2. Standard prices are adjusted during the fiscal year when the price is determined to be erroneous and this fact is publicly acknowledged. Public acknowledgment of zero overpricing will be made only when supported by factual information. Factual information may consist of verification that one or more of the following conditions exist.

7.7.6.2.1. Receipt of a contractor refund or execution of a contract price adjustment.

7.7.6.2.2. Award of a subsequent contract at a lower price.

7.7.6.2.3. Downward negotiation of a previously estimated price.

7.7.6.2.4. A substantial savings realized through local manufacture or item substitution.

7.7.6.3. Under certain very narrowly defined circumstances outside of the ZOP program, HQ AFMC/FMR can authorize price reductions on specific national stock numbers (NSNs) to promote better overall supply management and reduce excess inventory consistent with overall DBOF SMBA financial objectives. Generally, these exceptions to normal pricing policies involve price reductions to reduce or eliminate excess inventory resulting from force draw down.

7.7.6.4. Reference AFMAN 23-110, Volume 1, Part 1, Chapter 22; Volume 2, Part 2, Chapter 21, Section L; and Volume 7, Part 4.

7.7.7. Interchangeable and Substitution Group (ISG):

7.7.7.1. Each price component is computed once a year for each Air Force managed RSD ISG subgroup master stock number.

7.7.7.1.1. If the subgroup is one way interchangeable, each one way interchangeable stock number will have its own price, unless someone changes them to be the same.

7.7.7.1.2. If it is a two way interchangeable, all assets in the group will have the same price as the subgroup master that heads the two way interchangeable group.

7.8. Point Of Sale.

7.8.1. In an oversimplified model of the point of sale (Figure 7.2.), assets are transferred at no cost from wholesale stock inventories at the ALCs to retail stock inventories (base supply). These assets are then subsequently sold to retail level customers who buy them with customer funds. These sales in turn replenish the revolving fund (RSD) at the wholesale level. In actuality sales occur in three scenarios.

7.8.1.1. Wholesale/retail to non-capitalized customers (e.g., other services/agencies).

7.8.1.2. Depot supply to depot maintenance.

7.8.1.3. Base supply to base maintenance and tenant organizations.

7.8.2. Customer funds are obligated at the time an order is placed with base or depot supply. The customer is billed and customer funds are only expended when the asset is delivered. Since this can span fiscal years, and USD(C) does not allow RSD to guarantee prices from FY to FY. Customers must reserve sufficient funds in the prior fiscal year to pay the difference between prior year obligations and current year expenditures. This is normally an end of fiscal year adjustment.

7.9. Charges And Credits.

7.9.1. Specific Incidences of Credit.

7.9.1.1. Base level assets in the DIFM process. The amount of credit depends on when in the sixty day window the asset is returned to base supply and the condition of the asset. Organizations are given credit for serviceable assets at exchange (under 60 days) or standard price (over 60 days) when they repair an asset and turn it into supply to clear a DIFM detail record. No credit is given for assets returned to supply as unserviceable (Not Repairable This Station (NRTS)) to clear the DIFM detail. Bases also are given no credit if the asset is condemned at base level; however, the condemnation action is used to clear the DIFM. Credit is given at carcass price with an unserviceable turn-in over 60 days.

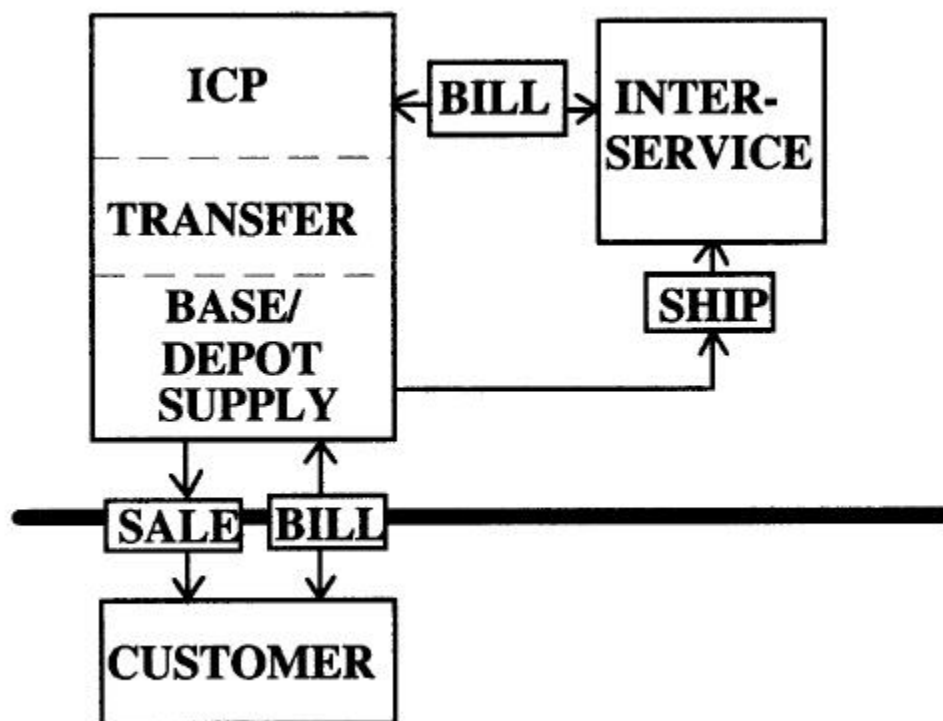


Figure 7.2. Point of Sale.

7.9.1.2. Base level assets not in the DIFM process. Credit depends on the assigned credit indicator code and serviceability of the asset. Credit at standard value is given for serviceable returns when the credit indicator reflects the asset is in a buy position. Credit at carcass value is given for unserviceable returns when the credit

indicator code reflects the asset is in a buy position. No credit is granted for returned assets when the credit indicator reflects the asset is in a "no" buy position.

7.9.1.3. For "standard" price customers the amount of credit is determined by the asset condition and the credit position for the asset. If the credit indicator is on (see paragraph 7.9.2.3.) and the asset is serviceable, then credit is given at FAC. If the asset is unserviceable and the credit indicator is on, then credit is given at carcass value for the returned asset. If the credit indicator is not on, then no credit is given.

7.9.1.4. Depot Maintenance. Depot maintenance follows the same base level credit procedures.

7.9.1.5. Excess/Found on Base (FOB).

7.9.1.5.1. Credit is given at repair cost for serviceable excess/FOB assets provided the AFMC credit flag (as assigned to individual NSNs) is on. FOB assets are processed as a turn-in only after all required research has been performed. Assets salvaged from crashed or otherwise disabled end items qualify for credit based on AFMC's credit indicator flag. There will be no credit given for unserviceable FOB turn-ins.

7.9.1.5.2. Depot maintenance-generated assets returned to depot supply as the result of reclamation actions, kit residue, FOB, save lists, shop floor excess not identifiable to a control number, repair facility relocation, mod kit replacements, modification time compliance technical orders (TCTOs), and any other category of RSD asset turned in to depot supply outside DIFM/DOTM (Due Out to Maintenance) control are given credit as outlined in 7.9.1.5.1.

7.9.1.6. Warranty Assets. Under DIFM control, customers are given credit at exchange price for assets covered by a warranty. Specific guidance for processing warranties is found in AFMAN 23-110, Volume 1, Part 1, chapter 10, and Volume 2, Part 2, Chapters 11, 13, and 14.

7.9.1.7. Deficiency Report (DR). Assets turned in as DR exhibits receive credit at exchange price. Specific guidance for processing DRs is found in TO 00-35D-54.

7.9.2. Credit Indicator Codes.

7.9.2.1. The credit indicator code identifies internally to the supply system (retail and wholesale) whether or not credit can be given for a turn-in of an asset not in the DIFM process. In a broader context, it communicates to the customer, and the wholesale item manager, whether the asset is in a buy position or not based on worldwide needs. Further, it provides a means to control inventory to make sure that the right balance of assets is on hand or flowing through the logistics pipeline.

7.9.2.2. Credit is allowed if an asset is in a projected buy in the apportionment year, budget year, or extended year. In simpler terms, credit is allowed if an asset is in a buy position projected from the current point in time to three years out. Obviously, the projected buy position could conceivably vacillate from each quarterly computation. Therefore, all players in the repair cycle process must be aware that what was allowed for credit in the past may not hold true in the future. The policy of credit for turn-ins strives for a balanced and stabilized policy.

7.9.2.3. The credit indicator A (allowed) indicates the asset is in a buy position projected from the current point in time to three years out. On the other hand, the D (disallowed) indicator shows that the asset is not in a buy position or is coded obsolete. At base level it may be expedient, and good for customer relations, to help customers through use of forced credit, but local managers must consider the effect on RSD. Forced credit procedures skew the overall buy computation process and create imbalances in RSD. To insure integrity of the process, it is imperative that the stock fund manager in base supply not use forced credit procedures unless coordinated with the wholesale item manager and approved as outlined in paragraph 7.10.

7.9.2.4. While the assignment of the credit indicator is under program control, it can be file maintained by the wholesale item manager through the Item Pricing Subsystem (IPS) in the Requirements Data Bank (RDB). The wholesale item manager should use this method on a limited basis, striving rather for a policy of credit that is both balanced and stable. These revised credit indicators are output to the AFMC cataloging systems for update during the next available weekly stock list change cycle; however, D043 only updates once a month.

7.10. Free Issue.

7.10.1. A nonreimbursable or free issue of an asset results in a lost sale that has a significant impact on the ability of RSD to stock, store, and issue material for all customers. To this end, nonreimbursable issues of assets should be made only in exceptional circumstances. The stock fund manager at the local level does not have the authority to free issue RSD assets unless previously authorized by HQ AFMC/FMR. New free issue requests must be sent to HQ AFMC/FMR, 4375 Chidlaw Road Ste 6, Wright-Patterson AFB OH 45433-5006, for approval. HQ AFMC/FMR will review the request for free issue to see if it meets the criteria in paragraph 7.10.3. If it fails to meet those criteria, then the request will be denied unless the circumstances warrant further consideration at which the request will be sent to SAF/FMBM for approval consideration.

7.10.2. The base supply stock fund manager must be part of the process requesting free issue from the approval authority. The request must provide the circumstances the customer feels warrants a free issue, the type of assets involved, and the dollar amount of the request. The request must be signed by the commander of the using organization, the accountable officer, and the comptroller.

7.10.3. The following circumstances are the only exceptions approved by USD(C) for free issue. For exceptions identified in paragraphs 7.10.3.1, 7.10.3.2, and 7.10.3.3, the SMBA must establish controls to ensure tracking of assets issued and the accomplishment of billing when appropriate.

7.10.3.1. Action is being taken to provide civil emergency relief assistance to control a civil disturbance, or when a certified military emergency exists. The SMBA will be reimbursed for any outstanding accounts receivable when funding is made available to cover the costs associated with the emergency situation.

7.10.3.2. If there is a foreign disaster according to the Foreign Assistance Act of 1961.

7.10.3.3. Issue to North Atlantic Treaty Organization (NATO) country under a replacement-in-kind arrangement. Such issues will be changed to a reimbursable issue if not replaced by the NATO country with 12 months.

7.10.3.4. Items in excess to the needs of the ICP may be issued without reimbursement to a DoD-funded customer to satisfy deficiencies in mobilization reserve requirements, or when authorized by the comptroller of the Air Force (SAF/FM). Additionally, the transfer of an excess asset from one activity to another when directed and controlled by the wholesale item manager shall be made without reimbursement. Excess, in this context, applies to Potential Reutilization Stock. These assets are assets above all authorized retention levels but for which a final determination to dispose has not been made.

7.10.3.5. Transfers to a Defense Reutilization and Marketing Office (DRMO) when authorized by the wholesale item manager. Likewise, any DoD-funded activity may obtain an asset from a DRMO without reimbursing the SMBA.

7.10.3.6. Assets that are totally excess to all United States military needs may be issued without reimbursement under the Foreign Assistance Act of 1961. To be eligible for such a transfer, an asset must be in excess of the Approved Acquisition Objective, Economic Retention, and Contingency Retention Stock. It must be retained for special consideration or potential use in specific contingencies. It must have been screened for utilization, and it

must not adversely impact on United States military readiness, if disposed.

7.10.3.7. Transfers between division or operating activities (wholesale to retail or retail to retail) within the same SMBA.

7.10.3.8. Transfers of inventory due to changes in logistical management responsibility. As an example, transfer of an asset from SMBA to funding by a procurement appropriation (decapitalization).

7.10.3.9. Issues under approved stock withdrawal authorization. This may occur when an asset is transferred from a customer's account to the SMBA and sufficient funds are not available for the customer to procure the asset from the SMBA. In such situations, the USD(C) may be requested to approve an authorization for issues without reimbursement. Such an authorization permits the SMBA to free issue assets to the specified customer up to the authorized limit for a fiscal year. Once the limit has been reached, issues shall be on a reimbursable basis. Stock withdrawal authorizations are only valid until the beginning of the first fiscal year for which a revised budget can be prepared by the customer.

7.11. Inventory Valuation. Serviceable assets are valued at standard price which is included in the asset record in the retail and wholesale supply systems. Unserviceable assets are valued at carcass price. In the SBSS, carcass price is found in the repair cycle record. Table 7.2. provides condition codes used to stratify the serviceable and unserviceable inventory.

Table 7.2. Condition Codes Used for Inventory Valuation.

Serviceable			Unserviceable			
A	B	C	E	F	G	H
			K	L	M	P
	D	J	Q		R	S
			X (D035A Only)			

{Refer to AFMAN 23-110, Volume 1, Part 4 for an explanation of the codes.}

{D035A (Item Manager Wholesale Requisition Process)}

7.12. Other Policies.

7.12.1. MAJCOM Consolidated Intermediate Level Maintenance.

7.12.1.1. Bases without Intermediate Level Maintenance (ILM) capability operate under the normal sale guidelines. Issue of the serviceable asset from supply to maintenance results in a sale at exchange price. Since there is no ILM capability, the reparable asset is turned in to supply and no credit occurs. The turned-in unserviceable asset is shipped to either a depot under two-level maintenance (2LM) or another base with a MAJCOM controlled Consolidated Repair Facility (CRF) capability.

7.12.1.2. 2LM assets are ordered at depot level as any other depot repaired RSD asset.

7.12.1.3. At a MAJCOM consolidated intermediate level site, issue of the unserviceable asset from the CRF base supply to the CRF maintenance shop results in no sale with a DIFM attached. The unserviceable asset is issued using activity code C to establish DIFM control of the asset. Initially, the CRF repair activity will not be charged for the issue of the unserviceable asset. However, after 60 days the repair activity will be charged the carcass

price. The CRF repair activity has two options for processing unserviceable assets. One option is the CRF can repair the asset and turn the serviceable asset into supply for credit at exchange price. The other option is not to accomplish repair on the asset (NRTS). The asset would then be sent to the depot for repair. Under the second option the CRF would receive no credit for the turn-in. If the first option is elected, it is up to MAJCOM discretion to decide how to distribute the excess O & M dollars gained by the CRF.

7.12.2. Aerospace Maintenance and Regeneration Center (AMARC) Assets.

7.12.2.1. The removal or reclamation of reparable assets from AMARC to satisfy valid requirements is accomplished only through the wholesale item manager in conjunction with the System Produce Director (SPD).

7.12.2.2. Once a reparable asset has been identified at AMARC as a possible candidate, a condition determination is made by the maintenance activity at AMARC. After the AMARC maintenance activity turns in the asset, the reparable asset is shipped to the base as directed by the wholesale item manager. The indicative data of that particular stock number is applied to the turned-in asset. The reparable asset shipped will only match the condition requested by the wholesale item manager. It is important to understand that AMARC reparable assets are not free issue.

7.12.2.3. If the asset from AMARC is an A condition asset, then the receiving base treats it as a normal reparable asset and issues the asset to the customer under DIFM processing. If the asset is R condition, the asset must be checked and tested before use by the customer.

7.12.2.3.1. The asset is issued to the base level repair activity using activity code C so that they may check and test the asset before installation. Initially, the base-level repair activity will not be charged for the issue of the asset. However, if either a serviceable or unserviceable asset is not returned to base supply in 60 days, the repair activity will be charged the carcass price.

7.12.2.3.2. If the check and test asset is found serviceable, the repair activity turns in the asset to base supply. The asset is then issued to the organization with the backorder, who pays the exchange price.

7.12.2.3.3. If the check and test asset is found unserviceable, the repair activity returns the asset to base supply and owes nothing. If it is returned after 60 days, the repair activity will have their carcass price returned.

7.12.3. Contractor Logistics Support (CLS).

7.12.3.1. CLS systems are characterized by low density, non-stocklisted and contractor maintained parts. CLS spare parts are budgeted and funded within the central procurement accounts, or as an alternative, can be replenished from Fund 3400, EEIC 578. The AFMC CLS Manager and SPD need to advise MAJCOMs of increased costs needed to cover those DLRs currently being issued under CLS.

7.12.3.2. There are two types of CLS requirements:

7.12.3.2.1. Stocklisted assets managed by AFMC that are used on CLS systems. Generally, this would be an asset common to both a CLS and non-CLS weapon system. For these assets the contractor uses customer funds to buy them from the SMBA.

7.12.3.2.2. Non-stocklisted assets bought as spares packages that are government owned materiel used by contractors in performance of CLS contracts. These requirements are funded with central procurement dollars.

7.12.4. Foreign Military Sales (FMS).

7.12.4.1. FMS customers can participate in the Air Force logistics system through the Cooperative Logistics Supply Support Agreement (CLSSA). The Air Force also provides support for requirements that are not part of

a CLSSA. The Air Force primarily uses a Repair and Replace concept where the country returns a reparable carcass and is issued a serviceable asset from the normal supply system.

7.12.4.2. For CLSSA cases, the country/Air Force approved stock levels are input to the requirements data system by the Security Assistance Management Information System (SAMIS) (W001). These levels are included in the asset computation process as an additive. The country pays 5/17s of the FAC value of this stock level as an up-front investment to cover the cost of acquiring assets in support of these levels.

7.12.4.3. Non-programmed requisitions are satisfied from Air Force stock if the assets are not required for an Air Force requirement. When assets are not available, the wholesale item manager procures these FMS requirements. In this case, the entire process is worked outside the RSD and the costs are directly billed (direct cite) to the customer. In this case, the SMBA has no involvement.

7.12.4.4. Repair and Replace requirements are worked through the RSD. The FMS customer gets credit at carcass price for the unserviceable assets they return and are charged the standard price for the serviceable shipped. SAMIS maintains the financial records of FMS sales.

7.12.4.5. FMS Excess Materiel Returns (FEMR) procedures require FMS to report excess RSD assets. Returns without payment are not authorized; therefore, the wholesale item manager directs return of the assets only if the credit indicator is A. RSD funds are used for the credit. A serviceable asset is credited at FAC; an unserviceable at carcass price.

7.12.4.6. For FMS shipments, the DBOF pays transportation costs of material to a CONUS location, normally the country's freight forwarder or other CONUS port of embarkation (POE). DBOF is reimbursed through the surcharge.

7.12.5. **Host-Tenant Support.** Base supply and maintenance organizations operated by the host base provide support to tenant organizations. All Host-Tenant Support Agreements (HTSA) must include associated reparable asset costs and address control and funding of reparable assets in shared use maintenance facilities.

7.12.5.1. Overall, the tenant is charged the exchange price and a DIFM is created for the serviceable asset issued from base supply. The tenant receives no credit for the unserviceable asset turned in to the host base supply, but the DIFM is cleared. The host base maintenance will not be charged for the unserviceable asset when issued, but a DIFM is created by the host base supply. If repaired, credit at exchange price is given to the host base repair facility. If it is not repaired by the host repair facility, no credit applies; however, the DIFM is cleared.

7.12.5.2. There are two options for incorporating RSD issues into HTSAs:

7.12.5.2.1. Option One. Tenant units supported by host base repair shops turn in all RSD assets unserviceable and receive no credit. If the host base maintenance function has the capability to repair the asset, it obtains the asset for repair at no cost using either activity code C (check and test) or R (routine maintenance) procedures found in AFMAN 23-110, Volume 2, Part 2. After completing the repair the repair facility turns in the serviceable asset and receives exchange price.

7.12.5.2.2. Option Two. The tenant unit establishes accounts that the host repair shops could charge repair cost against. The tenant routes all RSD assets through the host base repair shops with all repair cost billed to the tenant's account. When the asset is turned in against the original document number, the tenant is credited based on the asset's condition.

7.12.5.3. HTSAs must indicate the funding appropriation for RSD issues. Host and tenant project fund management record (PFMR) and organization cost center records (OCCR) are set up accordingly.

7.12.6. Interim Contractor Support (ICS).

7.12.6.1. The RSD does not pay for the cost of depot repair of assets under ICS, nor does the RSD collect repair cost from the customer for assets under ICS. The RSD does not need to earn cash to pay for depot repair of these assets since the RSD does not pay for the depot repair cost. Until the assets transition to depot repair, the carcass price for these assets is computed assuming a depot repair cost of zero. This prevents RSD from collecting repair funds that are not required. Therefore, only the surcharges are earned by the RSD. Given this, D043 shows the FAC and Net Price as equal until the asset transitions to depot repair. If any portion of an asset's repair is funded by ICS, the asset is treated as 100% ICS.

7.12.6.2. ICS assets should eventually transition to depot repair. The assets will transition from ICS to depot organic repair only when it is organically supportable (with technical orders, support equipment, etc.). The requirements data system has visibility of the date this transition is to occur on an asset-by-asset basis.

7.12.6.3. When the asset transitions to organic depot repair, the carcass price is computed using the normal depot repair cost. To equitably distribute a repair cost during transition, a time-phased depot repair cycle is used to weigh how much of the repair is considered depot and how much is considered ICS. This leads to a partial depot repair cost as the asset transitions. The carcass price for the fiscal year after the ICS asset transition reverts to using the depot repair cost instead of zero.

7.12.7. Loans.

7.12.7.1. An RSD asset may only be loaned to activities for the stated purposes, specified in DoDR 7000.14, Volume 11B, Chapter 55, and AFMAN 23-110, Volume 1, Part 1, Chapter 10. To this end, loans must be for reverse engineering, sample parts, and/or if it is in the best interest of the SMBA. Each loan shall be approved by the accountable officer, wholesale item manager, and the loan officer of the activity responsible for the accountability of the asset. If the request is made under the category of "in the best interest of the SMBA," the approval level is at HQ AFMC/FMR after coordination at the local level.

7.12.7.1.1. The approval shall include a description of the asset, intended purpose of the loan, price, condition, and anticipated return date. Also a certification must be included with the request that declares the loan of the asset will not jeopardize the capability of RSD to fully support national defense requirements.

7.12.7.1.2. The recipient shall pay for any transportation, packing, crating, and handling costs associated with the loan of the asset. At the time of the return of the asset, the recipient shall be required to pay any costs necessary to restore the asset to its original condition or to pay for any asset the recipient does not return within the approved period of the loan.

7.12.7.2. If the loan is a bailment asset, the contract must contain a provision for the delivery and return of the asset. A bailment asset is an asset loaned to a contractor for a special purpose and a limited time (such as reverse engineering). The asset due-in is detailed in the J041 system and shown on the asset computation as a due-in.

7.12.7.3. RSD will not buy any assets specifically for the purpose of lending to a contractor or DoD funded activity. The rationale for this is that a sale will not take place at any time, and DBOF cash is depleted. Only those assets already available in supply may be loaned to a contractor or DoD funded activity.

7.12.7.4. The loaned asset must also be in an excess position. Excess, in this context, applies to Potential Reutilization Stock. Potential Reutilization Stock is defined in paragraph 7.10.3.4. Affected wholesale item managers must consider the impact of loaning an asset versus having one available to sell. While on loan the asset shall be counted as an RSD inventory asset on loan to others for use.

7.12.7.5. When it is determined that an asset already on loan is needed for an additional period or for use on

another contract, the originator of the initial loan must resubmit a new loan package. There will be no cross loaning between contracts without prior approval from HQ AFMC/FMR.

7.12.8. Local Purchase/Local Repair. These options are not considered standard business practices within the SMBA. If these options are elected they must follow the guidance of AFMAN 23-110, Volume 1, Part 1, Chapter 8, Section A. The wholesale item manager must provide an RSD fund cite. There will be no circumstances where the customer funds will be used for these actions.

7.12.9. Product Improvement.

7.12.9.1. The Improved Item Replacement Program (IIRP) combines the preferred spares and 100 percent replacement program into one integrated effort. IIRP offers the Air Force a way to correct deficiencies, replace obsolete assets, and/or introduce through technology insertion, state-of-the-art components such as LRUs and SRUs that are then stocked, stored, and issued as assets of supply. The IIRP covers both installs and spares in support of the installed assets. IIRP assets must be a form, fit, and function replacement for the old asset.

7.12.9.2. Replacement of assets under an IIRP effort is done on an attrition basis either at the base or during depot maintenance. Capability upgrades or improvements that require structural (Group A) changes to weapon systems are not candidates for IIRP programs. This type of requirement is funded through the Air Force modification program. The SMBA finances only IIRPs.

7.12.9.3. The IIRP documentation must show ultimate benefit in some form of payback, such as an overall decrease in demands, reduction to mission capable (MICAP)/RSP problems, or lower overall cost to the Air Force. IIRP programs should result in a positive financial benefit; however, the IIRP program may also be used to replace obsolete or unreliable assets that are causing MICAP or Weapon System Management Information System (WSMIS) limitations at unit level without regard to financial payback.

7.12.9.4. The following actions are required of all players involved in the IIRP process.

7.12.9.4.1. HQ AFMC and MAJCOM agree on the requirement and perform a cost analysis.

7.12.9.4.2. MAJCOM requesting an IIRP must request funding through the MAJCOM planning, programming and budgeting system (PPBS) process.

7.12.9.4.3. MAJCOM includes the requirement in AFCAIG factor update (must equal available funds obtained during the POM).

7.12.9.4.4. HQ AFMC requests SMBA obligation authority (OA) in the budget estimate submission (BES) to match the MAJCOM O & M.

7.12.9.4.5. HQ AFMC provides financed OA to the SPD outside of the banding process.

7.12.9.5. The customer will pay for the cost of the product improvement asset in one of three ways:

7.12.9.5.1. If the replaced asset has a potential for reuse and the product improvement asset is installed at the base level repair facility, the wholesale item manager will establish an ISG relationship between the replaced asset and the product improvement asset. This will allow the customer to buy the product improvement asset at the exchange price and be credited with the exchange price when they turn in the replaced serviceable asset. If the replaced asset is unserviceable, the customer receives zero credit for the turn-in.

7.12.9.5.2. If the replaced asset has no potential for reuse and the product improvement asset is installed at the base level repair facility, the customer will buy the asset at standard price from base supply. In turn, credit for the replaced asset will follow FOB guidelines with the credit based on the condition and credit indicator of the

replaced asset.

7.12.9.5.3. Indirect cost through the repair cost of a weapon system or major end item that occurs when the product improvement asset is installed at the depot as part of the normal depot repair process of the weapon system or major end item.

7.12.10. **Readiness Spares Package (RSP).** The following procedures apply to deployed weapon/ operating systems and their associated RSP assets.

7.12.10.1. RSP Requirement and Funding Policy.

7.12.10.1.1. The RSP requirement is divided into two segments: 1) initial requirements tied to new acquisition (i.e., new systems, modifications, support equipment, and other production) or mission changes; and, (2) replenishment requirements tied to changes to the readiness level due to changes in usage factors or reliability rates.

7.12.10.1.2. The portion of the readiness requirement tied to new acquisition or new mission is funded in the initial spares appropriations, (i.e., 3010-BP 16 and 3080, BP 82, 83, and 84). The MAJCOM(s) affected by the new system or mission RSP requirement must request funding through the MAJCOM PPBS process.

7.12.10.1.3. Changes in the RSP requirement for existing system (replenishment) due to factor changes will be justified, approved, and purchased through the SMBA operating program as a normal RSD buy included in the RSD surcharge.

7.12.11. **Sixty Day Rule.**

7.12.11.1. After sixty days the customer is charged an additional carcass price if either a serviceable or unserviceable asset is not turned in. In the SBSS, certain DIFM status codes are exempt from the 60 day clock, such as awaiting parts. For a complete list of DIFM status codes exempted from the 60 day clock refer to AFMAN 23-110, Volume 2, Part 2, Chapter 24.

7.12.11.2. While depot maintenance is still held to the sixty day clock, the exemptions found in SBSS (retail level) do not apply. Under the depot maintenance process, there are two unique and separate processes for controlling movement of serviceable and unserviceable assets. This is different from the retail level where the serviceable and unserviceable asset movement is controlled by a single process flow. To this end, there are exemptions found at retail level that will not be found at depot level.

7.12.12. **Special Cases - Repair.** Services in support of RSD assets are funded RSD. These services include: first article testing, condition checks, technical order verification and validation, reclamation, on-site test station refurbishment, and other services as approved on a case-by-case basis.

7.12.13. **Special Purpose Recoverables Authorized Maintenance (SPRAM).**

7.12.13.1. Initial/Increased SPRAM Requirement.

7.12.13.1.1. The initial issue of SPRAM will be provided free of charge by the SPD. For the purposes of this manual, initial issue of SPRAM is defined using the concept of new support. The following provide examples of the concept of new support.

7.12.13.1.1.1. The requirement is supporting a new aircraft.

7.12.13.1.1.2. New mission. The using organization is converting from one weapon system to another. Or the unit mission changes which requires a change in the SPRAM mix.

7.12.13.1.1.3. New requirement. The technical order has changed requiring a change in the mix.

7.12.13.1.2. The SPD will fund SPRAM buy requirement using initial RSD obligation authority based on the end asset (i.e., aircraft support or electronics and telecommunications) that the SPRAM is supporting. To accomplish the free of charge issue, the SPD will work with the wholesale item manager to acquire the necessary SPRAM assets and have them direct delivered to the using base. Once the assets are received at the using base, the base supply receiving function will not receipt for the asset. Instead, they will take the necessary action to place the asset directly on the customer's SPRAM detail (K detail).

7.12.13.1.3. Required initial SPRAM can be satisfied through on-hand supply balances, if the asset is in an excess position.

7.12.13.1.3.1. If the assets are at bases other than the requesting base. To accomplish this, the SPD working with the wholesale item manager will process redistribution orders (RDO) for those assets located at another base that are required to support initial SPRAM. The receiving base supply will take the necessary action to place the asset on the customer's SPRAM detail. The SPD will use their O & M funds to support all RDO actions.

7.12.13.1.4. If the assets are at the base requesting the SPRAM. The requesting base supply will issue the asset to the requesting activity who will pay standard price for the transaction. In turn, the SPD will work with their FM offices to reimburse, using their O & M funds, the base requesting the SPRAM.

7.12.13.2. Replacement/Replenishment SPRAM Requirements. All replacement/replenishment SPRAM requirements will be paid for by the using organization. Replenishment is defined as any asset that does not meet the criteria in paragraph 7.12.12.1.1. RSD charges exchange price if a carcass is returned, otherwise the standard price will be charged.

7.12.13.3. Reference AFMAN 23-110, Volume 1, Part 1, Chapter 11, Section AG and Volume 2, Part 2, Chapter 22, Section L for additional guidance.

7.12.14. **Time Compliance Technical Orders (TCTO).**

7.12.14.1. When in-stock RSD assets (i.e., Peacetime Operating Stock (POS), RSP, and Supply Points) require modification, the asset is issued using activity code C to the repair shop and the accompanying TCTO kit is free issued. One TCTO kit for each installed RSD asset requiring modification is free issued to the repair shop.

7.12.14.2. RSD is not responsible for funding the installation of modification kits when completed as a separate maintenance action. The exception to this is when a modification kit is being installed during depot overhaul of a Management of Items Subject to Repair (MISTR) exchangeable asset. The reason for this exception is that the cost of modification cannot be separated from the cost of the MISTR overhaul.

7.12.14.3. The RSD will not finance any replacement of modification kit RSD components that are lost or used for other purposes by a using organization. Replacement kits are financed by the modification account that originally procured the kit.

7.12.14.4. For kits that are cannibalized, the activity responsible for cannibalization is responsible to replace the asset in the kit. As an example, if the base has a kit and needs to withdraw an asset to support a MICAP requisition, then that base must order the asset at their expense to satisfy the kit hole. If a wholesale item manager directs the shipment of a kit asset to support a MICAP, then the wholesale item manager must replace the asset in the kit.

7.12.15. **Transient Aircraft Support.** Transient aircraft support from the SMBA is financed by the transient

base. If parts are issued from base supply at the transient base, normal sales and credit policies apply. This equally applies to aircraft from other services or agencies except they will pay the standard price for assets issued. The home base is responsible for reparable support for their aircraft requiring repair at a transient location when both the following conditions occur: (1) the spare part is not available at the transient location and (2) the exchange price for the reparable is greater than \$20,000. The two options available are lateral support from the nearest location -- this allows standard MICAP procedures to occur, or maintenance-to-maintenance channels. Using maintenance-to-maintenance procedures, the serviceable and reparable part originates and returns to the home base. This allows for DIFM control and associated financial transactions to be processed at the home base. The exception to this procedure is enroute maintenance units that are funded and operated by Air Mobility Command for their active duty aircraft excluding European and Pacific tanker task force missions.

7.12.15.1. When the transient base can support the reparable asset requirements of the transient aircraft, issue and billing of reparable assets for transient aircraft are managed the same as assigned aircraft maintenance. Naturally the transient base has an opportunity to repair the asset if a repair shop is loaded on the repair cycle record. The repair shop turns in serviceable assets at exchange price and unserviceable assets receive no credit.

7.12.15.1.1. If there is no repair shop loaded on the repair cycle record for that reparable asset at the transient base, the asset is tagged NRTS by maintenance. It is then shipped by supply directly to the depot maintenance facility for repair, or the CRF for those units under the alternate maintenance concept.

7.12.15.1.2. If the transient base has a repair shop, the unserviceable asset is transferred to that shop using the original document number of the asset that was issued. The original issue document number should be used through the entire repair cycle until turned in. The repair shop has the option to either NRTS the asset and receive no credit or they can repair it and turn the serviceable reparable asset into supply for credit at exchange price. The transient base repair activity pays for the cost of SRU/bits and pieces used from their organizational funds.

7.13. RSD And Depot Repair.

7.13.1. **Background.** The AFMC depot maintenance function is financed under the DMBA of the DBOF. DMBA finances depot and contract repair services for its customers. DMBA is both a customer of and a supplier to the RSD. Specific guidance on depot maintenance supply management processes is found in AFMCR 66-53.

7.13.2. DMBA as Customer.

7.13.2.1. As an RSD customer, DMBA buys serviceable spares for repair of higher assemblies. Organic depot maintenance normally requisitions RSD parts through depot supply using DIFM processes.

7.13.2.1.1. **DIFM Processes.** DMBA pays the exchange price for the issue of a serviceable component contingent upon the turn-in of an unserviceable/condemned component. If after 60 days of receipt of a serviceable asset by depot maintenance with no unserviceable like asset turned in to depot supply, then DMBA will be charged an additional carcass price for the asset. This increases the cost to DMBA to the full standard price for the asset. This additional charge to DMBA will be returned if the unserviceable asset is subsequently turned in and matches the requisition. The cost of RSD material is the quantity times the exchange price (assuming an unserviceable will be turned in for each serviceable drawn out).

7.13.2.1.2. **Non-DIFM Processes.** If depot maintenance requisitions RSD material outside of regular DIFM procedures, DMBA will be charged the full standard price. Any turn-ins will be given credit according to the

condition of the asset and the credit indicator code (see paragraph 7.9.).

7.13.2.2. For each ISG group listing, DMBA will be charged the exchange price of the master asset. If the master has a sub master, the sub master will have a separate price from the master asset. All assets grouped into the sub master will be charged the exchange price of the sub master asset. If an additional carcass charge is required due to the 60 day rule, the additional charge will also be at either the master or sub master level. In either situation of the master or sub master grouping, this policy will apply regardless of the combination of which asset was returned and which asset was received from the ISG group listing.

7.13.2.3. The cost to DMBA to buy RSD assets during repair is included in the material portion of DMBA sales prices.

7.13.3. DMBA as Supplier.

7.13.3.1. As a supplier to RSD, DMBA will contract with the RSD for depot and contractual repair of reparable assets. Assets inducted for repair by DMBA under the rules of the MISTR program continue to be owned by RSD. The exchangeable workload at the Aerospace Guidance and Metrology Center (AGMC) and AMARC is treated the same as MISTR at the ALCs. There is no financial sale or credit by the RSD to DMBA for MISTR assets. DMBA charges RSD the applicable price for the repair of each NSN in an ISG group listing. If it is necessary to job route component assets, then material ordered to support the repair of the MISTR end item(s) is considered funded material and must be bought from the applicable division (i.e., General Support Division, Repairable Support Division, or Systems Support Division).

7.13.3.2. Depot maintenance is sometimes performed at the field level. The difference between on-site depot maintenance and maintenance accomplished at a traditional depot overhaul facility is the accounting for assets consumed. RSD assets that are issued from the SBSS to a depot maintenance function that is on-site at the field level have to be bought from the division through the on-site supply.

7.13.4. Contract DMBA.

7.13.4.1. Air Force contract depot level repair is also managed within DMBA. Reference AFMCR 66-8. Specifically, contract repair means DMBA uses an interservice source of repair or private industry to satisfy funded customer requirements. Similar to the depot process, contractual repair also carries a unit sales price. Segments of the contract sales price are labor, material, and general and administrative expenses. All the costs projected to be incurred by DMBA in repair actions, whether contract or depot, are passed on to the customer. Contract DMBA sales prices increase based on the amount of RSD material consumed in any given workload.

7.13.4.2. When a decision is made to provide RSD assets on a contract as government furnished material (GFM), the SMBA must be reimbursed at standard price. Typically, DMBA incurs the expense of the cost of the GFM whether the contract is for RSD repair workload or non-RSD workload. The net cost of these assets are

7.13.4.2.1. To be released as GFM, the release of the RSD assets must be approved by the wholesale item manager.

7.13.4.2.1.1. The wholesale item manager will first determine if they are in an excess position or not. Excess, in this context, applies to Potential Reutilization Stock. Potential Reutilization Stock is defined in paragraph 7.10.3.4.

7.13.4.2.1.2. The wholesale item manager will not procure to fill a GFM requirement unless it is on an existing approved Appendix B GFM list.

7.13.4.2.1.3. Any changes to the approved Appendix B must be provided to the wholesale item manager. If the change is for additional requirements, the additions must meet the hurdles of 7.13.4.2.1.

7.13.4.3. Besides the above, consideration must be given for two categories of returned GFM.

7.13.4.2.1. Serviceable GFM Returns. Since no DIFM Detail exists for contract repair facilities, the RSD gives credit for all serviceable GFM returns that result from the end asset overhaul process. These returns go through the normal issue and return process.

7.13.4.2.2. Excess GFM or Asset Removals. Excess GFM or asset removals as a result of 100% replacement or modification will be returned following the guidance of AFMCR 66-8.

7.13.5. **Missing Assets.**

7.13.5.1. It is Air Force policy that Air Force activities will not return end items to the depot for repair with missing components or parts unless an exception has been negotiated with the AFMC end item manager before movement of the end item from the activity to the depot. It is the responsibility of the activity returning the end item to ensure that components or parts are not missing. Likewise, it is Air Force policy that the Air Force depot repair activities will not return end items to operational Air Force activities missing components or parts unless an exception has been negotiated with the AFMC end item manager and the affected MAJCOMs. It is the responsibility of the depot repair activities to ensure the components or parts are not missing.

7.13.5.2. Depot repair is accomplished through the DBOF Depot Maintenance Business Area (DMBA). DoD DBOF policy requires that the DMBA recover all costs associated with work performed including materiel expenses. While the DMBA repair prices contain normal materiel expenses to affect repair of the end items, they do not normally contain materiel costs for missing items since Air Force policy directs that all components and parts will be returned with the end item. As a consequence, replacement of missing parts is considered a change to the negotiated work requirements and the DMBA is authorized to negotiate a change to the stabilized end item sale price.

7.13.5.2.1. If an SMBA RSD managed asset arrives at a depot repair activity (for MISTR repair) missing components or parts:

7.13.5.2.1.1. DMBA will process an SF Form 364, **Report of Discrepancy (ROD)**, through the end item manager to the shipping activity requesting either to be reimbursed for the missing asset or obtain the missing asset, whichever is appropriate.

7.13.5.2.1.2. SMBA end item manager will coordinate on the SF Form 364 and be the focal point on the ROD.

7.13.5.2.1.3. If the SMBA end item manager cannot reasonably determine the consignor of the asset or if it is missing parts because of supply support problems, then the SMBA will absorb the cost (free issue) during the year of execution as a loss. This loss will be reflected in subsequent year's prices to SMBA customers, through the SMBA surcharge.

7.13.5.2.2. If a principal item (i.e., aircraft, engines, or missiles) arrives at a depot repair activity (for program depot maintenance (PDM)) missing RSD components or parts:

7.13.5.2.2.1. DMBA will notify the AFMC SPD of the principal item.

7.13.5.2.2.2. The AFMC SPD of the principal item will notify the owning MAJCOM that they are required to provide either 1) additional funding to pay for the added cost of the replacement materiel; or 2) a replacement part.

7.13.5.2.2.3. The owning MAJCOM has 60 days from notification to exercise one of the above two options (see paragraph 7.13.5.2.2.2.). If the DMBA activity receives neither the funding nor part within 60 days it will unilaterally bill the customer for the cost.

7.13.5.2.3. If the principal item was sent to PDM with missing components or parts because of supply support problems, DMBA will negotiate with the MAJCOM on who should absorb the cost of replacement. If DMBA is to absorb the cost, DMBA will absorb it during the year of execution as a loss. This loss will be reflected in subsequent years' prices to DMBA customers, through the DMBA PDM sales rates.

7.13.5.3. These policies should be tailored to fit actual circumstances as required. For example, if a component is missing but it cannot be determined if the asset was missing before or after induction at the depot, the DMBA, SMBA, and MAJCOM customer should negotiate a mutually acceptable settlement on a case-by-case basis consistent with the general principals outlined in this manual and the financial policies governing the operation of the appropriations involved and the DBOF.

7.13.6. Floating Stock.

7.13.6.1. Organic depot maintenance facilities possess, at any given time, significant quantities of spares that are not scheduled for overhaul or service work. The largest volume of this type of asset are known as depot floating stock. Depot floating stock is classified in the maintenance community as either floating stock or floating spares. Floating stock is ERRC coded XD2 assets authorized for retention by depot maintenance to support job routed maintenance production, or DIFM/DOTM exchange. They are also ERRC coded XD2 assets retained to support automatic test equipment or other unique situations.

7.13.6.2. Depot floating stock is tracked on a floating stock detail in the D035K system. Floating stock is requisitioned using the floating stock detail, and DMBA will be charged the full standard price. As the requirement that caused the floating stock in the first place is deleted, or a portion of the floating stock detail becomes excess, these spares are turned back in to depot supply. Turn-in of floating stock will be given credit based on the asset credit indicator (see paragraph 7.9.). As a result, the cost of increasing or changing the mix of depot floating stock is absorbed by DMBA. Depot maintenance should increase emphasis on scheduling of components, and working that schedule to preclude excessive use of floating stock.

7.14. Stock Funding Of Initial Spares.

7.14.1. The stock funding of initial spares process begins when the SPD identifies the initial spares requirements in conjunction with developing the cost estimate for the program.

7.14.1.1. The SPD must identify the initial spares requirement along with the rest of the system acquisition funding requirements to the lead MAJCOM for the weapon system, modification, or equipment for inclusion in the program objective memorandum, budget estimate submission, presidential budget (POM/BES/PB) submission.

7.14.1.2. If the MAJCOM is successful in obtaining funding for the weapon system, modification, or equipment including the initial spares through the POM process, then the SPD must request Air Force SMBA obligation authority through AFMC to SAF/FMB and HQ USAF/LGS during the SMBA BES process.

7.14.1.3. Obligation authority is only included in the SMBA BES to the extent that the MAJCOM has identified appropriated funding in the POM/BES. The procurement budget authority programmed by the MAJCOMs is requested based on the anticipated outlay rate laid out over five years.

7.14.2. Formal submission of all initial spares requirements and appropriated budget justification documentation must be made to HQ AFMC/FMR, then to HQ USAF/LGSY/LGSR (all requirements) and SAF/FMB (SMBA

only).

7.14.2.1. After the SMBA budget is approved, SAF/FMB issues a unit cost document to HQ AFMC/FMR. HQ USAF/LGSY/LGSR provides an OA sub-allocation breakout document to HQ AFMC/FMR matched to the available procurement dollars.

7.14.2.2. HQ USAF/LGS and SAF/FMB provide a program authority/budget authority (PA/BA) to AFMC conveying the appropriated funding matched to the OA allocation based on the scheduled outlays.

7.14.3. HQ AFMC/FMR issues the appropriate OA/BA to the ALC/FMs who in turn issue the appropriate OA to the single system manager (SSM). Note that this deviates from the original plan due to data system limitations that preclude issuance of OA directly to SPDs not located on an ALC. The BA is held by the ALC/FM to reimburse SMBA as deliveries occur.

7.14.3.1. SPDs have the final authority and decision making on where and how the OA for their programs will be executed. The SPD/SSM obligate the OA on a provisioning order.

7.14.3.2. When the materiel is received, the SMBA pays the contractor bill and generates a bill to the appropriated account to cover the SMBA's cash disbursement. The appropriated account reimburses the SMBA.

Attachment A7-1

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

2LM	Two-Level Maintenance
AFCAIG	Air Force Cost Analysis Improvement Group
AGM	Air-to-Ground Missile
AGMC	Aerospace Guidance and Metrology Center
AIM	Air Interceptor Missile
AOR	Accumulated Operating Result
BA	Budget Authority
BC	Budget Code
BES	Budget Estimate Submission
BP	Budget Program
CLS	Contractor Logistics Support
CLSSA	Cooperative Logistics Supply Support Agreement
COD	Cost of Operations Division
CRF	Consolidated Repair Facility
DBOF	Defense Business Operations Fund
DIFM	Due In From Maintenance
DLA	Defense Logistics Agency
DLR	Depot Level Repairables
DLSC	Defense Logistics Service Center
DMBA	Depot Maintenance Business Area
DOTM	Due Out to Maintenance
ERRC	Expendability, Recoverability, Reparability Code
FAC	Forecast Acquisition Cost
FC	Fund Code
FEMR	FMS Excess Materiel Returns
FMS	Foreign Military Sales
FOB	Found on Base
HTSA	Host-Tenant Support Agreements
ICP	Inventory Control Point
ICS	Interim Contractor Support

IIRP	Improved Item Replacement Program
ILM	Intermediate Level Maintenance
IPS	Item Pricing Subsystem
ISG	Interchangeable and Substitution Group
LAC	Latest Acquisition Cost
LAP	Latest Acquisition Price
LRP	Latest Repair Price
LRU	Line Replaceable Units
MAJCOM	Major Command
MICAP	Mission Capable
MISTR	Management of Items Subject to Repair
MMC	Material Management Code
MSL	Master Stock Number List
NATO	North Atlantic Treaty Organization
NOR	Net Operating Result
NRTS	Not Repairable This Station
NSN	National Stock Number
OA	Obligation Authority
OCCR	Organization Cost Center Records
PA	Program Authority
PDM	Program Depot Maintenance
PFMR	Project Fund Management Record
PICA	Primary Inventory Control Activity
POE	Port of Entry
POM	Program Objective Memorandum
POS	Peacetime Operating Stock
PPBS	Planning, Programming and Budgeting System
RDB	Requirements Data Bank
RDO	Redistribution Orders
RSP	Readiness Spares Package
SAMIS	Security Assistance Management Information System
SBSS	Standard Base Supply System

SICA	Secondary Inventory Control Activity
SMBA	Supply Management Business Area
SNUD	Stock Number Users Directory
SPD	System Product Director
SPRAM	Special Purpose Recoverables Authorized Maintenance
SRU	Shop Replaceable Units
TCTO	Time Compliance Technical Order
WSMIS	Weapon System Management Information System
ZOP	Zero Overpricing Program